NOVA SCOTIA
HOUSING DEVELOPMENT CORPORATION

ANNUAL ACCOUNTABILITY REPORT
FOR THE FISCAL YEAR 2005-2006

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1.0 ACCOUNTABILITY STATEMENT

The accountability report of the Nova Scotia Housing Development Corporation for the year ended March 31, 2006, is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the corporation's business plan information for the fiscal year 2005-2006. The reporting of the Housing Development Corporation outcomes necessarily includes estimates, judgements, and opinions by the corporation's management.

This accountability report is the responsibility of the corporation's management and is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the corporation's business plan for the year.

Judy Streatch
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

Marian F. Tyson, Q.C.
President, Nova Scotia Housing Development Corporation
Deputy Minister, Department of Community Services

2.0 Message From the Chair

I am pleased to present the Nova Scotia Housing Development Corporation's Accountability Report for the 2005-2006 fiscal year. This report provides an overview of the corporation's priorities and the accomplishments.

The corporation, through the staff of the Department of Community Services and seven housing authorities, provides a variety of services to support healthy and diverse communities. The work of the corporation supports the management of the province's social housing units, the creation of more affordable housing, and the administration of third party agreements for cooperative and other non-profit housing.

The corporation continues to work with all levels of government and the community to provide Nova Scotian families with access to safe, appropriate, affordable and sustainable housing.

I hope you will find the information helpful in understanding the corporation's progress to provide affordable homes for Nova Scotians.

Sincerely,

Judy Streatch
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

3.0 INTRODUCTION

The Nova Scotia Housing Development Corporation, created in 1986, provides financing for government's social housing programs. It is responsible for holding the province's social housing assets and consolidating the revenues and expenditures associated with operating these assets. The corporation's mission is to *partner with Nova Scotians in fostering healthy communities through housing*.

The core business areas of the corporation are as follows:

- managing the province's social housing funds and assets
- providing financing to social housing projects
- enabling the delivery of housing programs through funding agreements like the Canada-Nova Scotia Social Housing Agreement, the Canada-Nova Scotia Affordable Housing Agreement, and the Canada-Nova Scotia Housing Renovation Programs Agreement.

The corporation is governed by the *Nova Scotia Housing Development Corporation Act*. The Minister of Community Services is the corporation's Chair and the Deputy Minister of Community Services is the President. Staff of the Department of Community Services carry out the management and administration functions of the corporation, but are not direct employees and receive no remuneration from the corporation. Direct service delivery, including functions like tenant and property management, is carried out by seven Housing Authorities and their employees.

This Annual Accountability Report is a report on the progress achieved by the corporation towards the goals, priorities, performance measures and financial targets established in the 2005-2006 Business Plan, is available at http://www.gov.ns.ca/coms/publications.html.

The 2005-2006 priorities and performance measures flow from the corporation's strategic goals:

- to foster healthy communities through innovative housing solutions
- to ensure access to a supply of safe, appropriate, affordable, and sustainable housing.

3.1 Report Structure

This report is organized into three main sections. Section 4 outlines the corporation's progress and accomplishments against the priorities identified in the 2005-2006 Business Plan. Section 5 provides a summary of the financial results for fiscal year. The final section, section 6, provides details regarding performance measures and the results achieved.

4.0 Priorities and Accomplishments

The following is a summary of the progress and accomplishments of the Nova Scotia Housing Development Corporation in meeting its 2005-2006 Business Plan priorities.

Federal Social Housing Programs Evaluation

Under the terms of the Canada-Nova Scotia Social Housing Agreement, an evaluation of the social housing programs is required every five years. In 2004-2005, an evaluation framework for the Public Housing Program, Rural and Native Program, Rent Supplement Program, Urban Native Program, and Non-Profit Housing Programs was developed. A request for proposals to hire a consultant to undertake the evaluation was prepared and posted for tender in 2005-2006. The evaluation will be completed 2006-2007 and will provide information on the performance, results, and cost-effectiveness of the federal social housing programs covered by the Agreement.

Decentralization of the Rural and Native Housing Program

This initiative moves the administration function of the Rural and Native Housing Program closer to the communities and clients it is serving. The decentralization of the program is well underway.

Phase I is complete and involved moving the administration of all of program's rental units to the Cobequid Housing Authority. Further decentralization will occur once the issues related to the transition from one information technology system to another are resolved.

Affordable Housing Program

The Affordable Housing Program Agreement was signed between the Province of Nova Scotia and the Government of Canada in September 2002. Under the first phase of the Agreement, a total of $37.26 million was cost-shared on a 50/50 basis between the federal government, the province, and its partners. In March 2005, the province signed a second Affordable Housing Agreement. This resulted in an additional federal/provincial investment of $18.9 million.

In accordance with the terms of the agreement and the business plan priority, Phase I funds of $37.26 million were fully committed as of March 31, 2006. This investment made possible the preservation and/or creation of just over 900 additional affordable housing units. These units are located across the province and are targeted to low to moderate income households.

Investments will continue under Phase II of the Agreement. Phase II funding of $18.9 million will be invested over the next three years.

Research - Role of Housing

In 2005-2006, two key initiatives were underway which will provide valuable insight into the province's future direction with respect to housing. The two key initiatives are:

- National Housing Strategy/Framework: Federal/Provincial/Territorial Ministers have been pursuing the development of a National Housing Framework. The adoption of a Framework will have an impact on provincial housing activities. However, the change in government at the federal level has delayed work on the National Housing Framework.

- Evaluation of Social Housing Agreement Programs: Findings and recommendations emanating from the evaluation will help inform the role of government with respect to housing.[1]

[1]For additional information on this project, see section 4.0, Federal Social Housing Program Evaluation.

5.0 FINANCIAL RESULTS

Nova Scotia Housing Development Corporation
Estimated and Actual Expenses
For the Year Ending March 31, 2006

Funding Source	Estimate 2005-2006 ($thousands)	Actual 2005-2006 ($thousands)	Variance	Notes
Revenue from Government Sources	96,300	107,606	11,306	1
Revenue from Rents	49,000	50,645	1,645	2
Interest, revenue from land sales and other revenue	2,500	4,229	1,729	3
Total Funding	$147,800	$162,480	$14,680	
Expenditure Source				
Interest on Long Term Debt	27,900	27,440	-460	
Property Management and Operations	45,000	42,635	-2,365	4
Maintenance and Capital Improvements	23,700	28,149	4,449	5
Transfer to Housing Services*	37,700	29,341	-8,359	6
Home Renovation and Affordable Housing	See Note 7	15,089	15,089	7
Amortization of Investment in Social Housing	11,000	13,087	2,087	8
Administration Fee and Cost of Land Sold and increase in provision or doubtful accounts	2,500	6,739	4,239	9
Total Expenditures	$147,800	$162,480	$14,680	

*Under the terms of Canada Nova Scotia Social Housing Agreement, Canada Mortgage and Housing Corporation transfers Federal subsidies to the corporation monthly. A portion of this funding is then transferred to the Department of Community Services, Housing Services Division for the payment of Social Housing Program subsidies.

Revenue Variances:

1. Funding to allow for Home Repair Programs expenditures deferred from 2004-2005.
2. Greater than expected occupancy level.
3. Timing of lot sales, originally planned in 2004-2005, not finalized until 2005-2006.

Expenditure Variances:

4. Increases in the cost of utilities (fuel and electricity) not as great as anticipated.
5. Additional funding provided in reference to annual maintenance improvement program.
6. Funding transfers were less than anticipated due to a mid-year increase in provincial funding provided to the Department of Community Services.
7. The expenditures for the Affordable Housing Program and Housing Renovation Program were added this year from the Department of Community Services. The Estimate is in the department.
8. Principal payouts not anticipated (Department of Justice, in reference to Waterville Youth Centre, fully repaid).
9. Increase in provision for doubtful accounts respecting indemnified loans.

6.0 Performance Measures

This section provides detailed information on the outcomes and performance measures of each of the corporation's core business areas. Some measures have been changed to better reflect the desired outcomes of the corporation. Changes are noted at the end of this section.

6.1 Core Business Area: Manage the Social Housing Portfolio[1]

Outcome

Financial reserve funds are adequate, minimizing the risk of loss to the province.

Performance Measure

Percentage of cooperative housing organizations who achieve a ranking of Level I or a High Level II based on an annual assessment of their financial, democratic, and physical condition.[2]

What does the measure tell us?

The department, on behalf of the Nova Scotia Housing Development Corporation, is implementing the Cooperative Ranking Model to assess and monitor the health of the Cooperative Housing Portfolio. Cooperative housing organizations in Nova Scotia provide approximately 1,670 self-contained dwelling units. The Ranking Model provides an overview of the Cooperative Housing Portfolio and as an ongoing monitoring tool, assists the corporation in its management of cooperative housing. Cooperatives are ranked as a Level I , II or III; with Level I being the healthiest, and Level III being considered a project "in difficulty".

Where are we now?

There are 80 subsidized cooperatives in the Cooperative Housing Portfolio. To date, the Cooperative Ranking Model has been used to assess the health of 85 percent of the portfolio– 68 of the cooperatives. Information on the remaining 12 cooperatives is still being collected.

Preliminary results indicate that 63 percent of the cooperatives are healthy and do not pose a risk. 13 percent of the assessed cooperatives are "at risk" and 24 percent are projects "in difficulty".

Cooperative Ranking	Results
Level I	35%
High Level II	28%
Low Level II	13%
Level III	24%

WHERE DO WE WANT TO BE IN THE FUTURE?

Future targets and strategies to address the number of cooperatives at risk (Low Level II) and projects "in difficulty" (Level III) will be determined after all the baseline information is collected and analyzed.

6.2 CORE BUSINESS AREA: PROVIDE FINANCING TO SOCIAL HOUSING PROJECTS

The corporation provides financing assistance to qualified agencies to purchase, lease or upgrade housing/shelter related facilities. This involves giving the agencies preferred interest rates for longer term periods than would be provided by private lenders. Agencies are protected from fluctuations in their on-going operating costs. This is particularly important to Community Services and the Department of Health, since publically subsidized per diem rates include financing costs.

OUTCOME

Government has additional options in managing capital financing for government sponsored housing.

PERFORMANCE MEASURE

The number of qualifying housing projects receiving financing assistance and/or mortgage guarantees.

WHAT DOES THE MEASURE TELL US?

This measure reports the number of qualifying projects the corporation assisted through mortgage guarantees and/or financing assistance. Qualifying projects generally must meet at least one of the following criteria:

- increase the supply of safe, affordable, appropriate and sustainable housing in Nova Scotia
- reduce the long term interest rate risk to the Province of Nova Scotia
- have an acceptable level of risk to the corporation
- reduce the long term financing costs to the Province of Nova Scotia.

WHERE ARE WE NOW?

In 2005-2006, ten housing projects were financed through the corporation to provide housing for mentally challenged individuals and nursing home residents at a total borrowing of $12.87 million.

The Number of Qualifying Projects the Corporation Assisted Through Financing Assistance and/or Mortgage Guarantees				
2001-2002	**2002-2003**	**2003-2004**	**2004-2005**	**2005-2006**
1	6	9	6	10

WHERE DO WE WANT TO BE IN THE FUTURE?

The corporation aims to assist a minimum of three housing projects per year by continuing to foster and pursue partnering opportunities with Community Services to support the prevision of residential services and with other departments, like the Department of Health.

In 2006-2007, the administration and management of the corporation's mortgage portfolio will be consolidated under the Finance and Administration Division of the Department of Community Services as part of the corporation's efforts to provide better service to its clients. This change will enable a more coordinated approach to mortgage management, facilitate the early identification of opportunities to reduce borrowing costs, and strengthen the relationship with the Department of Finance in the development/implementation of a strategy to achieve the best results for borrowers and the province.

6.3 CORE BUSINESS AREA: DELIVER THE CANADA-NOVA SCOTIA AFFORDABLE HOUSING AGREEMENT PROGRAMS

OUTCOME

More households in safe, appropriate, affordable and sustainable housing.

PERFORMANCE MEASURE

Affordable Housing Program Agreement funds committed to date on creating and preserving at risk housing units.

WHAT DOES THE MEASURE TELL US?

Providing housing options to low and moderate income Nova Scotians is essential for their well-being and that of their families, and for the development of sustainable communities. This measure indicates how much of the Canada-Nova Scotia Affordable Housing Program Agreement funds have been committed for the creation or preservation of affordable options in Nova Scotia.

WHERE ARE WE NOW?

Phase I Affordable Housing funds of $37.26 million, were fully committed as of March 31, 2006. Just over 900 affordable housing units have been preserved and/or created under Phase I. These units are located across the province and are targeted to low to moderate income households.

WHERE DO WE WANT TO BE IN THE FUTURE?

In 2006-2007, the Nova Scotia Housing Development Corporation will begin to deliver Phase II funds of $18.9 million. This funding will be fully committed by 2010 and go toward the creation or preservation of approximately 250 dwelling units. A draft financial and program delivery plan has been prepared.

OUTCOME

More households in safe, appropriate, affordable and sustainable housing.

PERFORMANCE MEASURE

Number of households assisted through funding made available under the Canada-Nova Scotia Housing Renovation Program Agreement.

WHAT DOES THE MEASURE TELL US?

This measure reports on the number of dwelling units and residential beds assisted during the reporting period.

The corporation is contributing to the rehabilitation and adaptation of existing owner occupied homes and rental housing in Nova Scotia through the Canada-Nova Scotia Housing Renovation Program Agreement. Based on Canada Mortgage and Housing Corporation's revised 2001 Core Need Data[2], there were approximately 19,600 homeowner households in Nova Scotia whose homes were in need of major repairs and 7,100 of these households lacked the income to

[2]2001 Census Housing Series: Issue 3 Revised the Adequacy, Suitability, and Affordability of Canadian Housing, Research Highlights, Socio-Economic Series, 04-007

undertake the needed repairs. Also, approximately 5,400 renter households were living in housing in need of major repair and 5,100 of these households lacked the income to pay the rent for housing in better condition.

WHERE ARE WE NOW?

Number of Households Assisted - Housing Renovation Program Agreement			
2002-2003	**2003-2004**	**2004-2005**	**2005-2006**
1,004 units	919 units	835 units	874 units
99 beds	68 beds	86 beds	74 beds

This data includes all the units and beds rehabilitated and/or adapted under the Canada-Nova Scotia Renovation Program Agreement which includes all the Residential Rehabilitation Assistance Programs (RRAP). While the annual program budgets have not increased, there has been a per unit increase in financial assistance from $12,000 to $16,000. This has enabled homeowners and non-profit organizations to undertake more extensive repairs. This means that fewer households can be helped as reflected in the decrease in the number of households assisted.

WHERE DO WE WANT TO BE IN THE FUTURE?

The target is to continue to maximize the benefits associated with housing repairs for those most in need, based on the program funds available in each fiscal year.

In November 2005, the federal government announced a one-year extension of federal funding for RRAP. As a result of this extension, Nova Scotia will receive $9.0 million from the federal government in 2006-2007 for the suite of Residential Rehabilitation Assistance Programs (RRAP).

Changes to the Performance Measures

1. The measure, a projection of the financial resources available to meet anticipated Canada-Nova Scotia Social Housing Agreement expenditures, is no longer being reported on in the Accountability Report. This measure did not meet the performance measurement criteria establish by Treasury and Policy Board.

2. The Cooperative Ranking Model replaces the measure, percentage of cooperative and non-profit housing organizations that have adequately funded reserves. The Cooperative Ranking Model provides an improved assessment of the health of the Cooperative Housing Portfolio.